

out with considerably more finesse and voracity than I have, that there will be no further tax. And is that because of the reciprocity situation?

SENATOR V. JOHNSON: No, that is the way the bill is written.

SENATOR SCHMIT: No, what I mean, is there a reciprocity situation existing between states that Senator Higgins referred to in this instance? Or is there any punishment factor here if we do not pass LB 855?

SENATOR V. JOHNSON: Yeah, the expression is not reciprocity, it is retaliatory, retaliatory tax, that's the word that Senator Higgins was searching for and that is the word that you're searching for, Senator Schmit. What happens is a simple deal. Our insurance companies do business throughout the United States. There are 36 states that do not impose this premium tax on annuities, on certain kinds of annuities, but because Nebraska imposes a premium tax on these kinds of annuities when our domestic insurance companies go to Missouri and sell the annuities or go to Iowa and sell the annuities, they end up having to pay to Missouri and Iowa the Nebraska premium tax which the Missouri company doesn't have to pay or the Iowa company doesn't have to pay. So the story is very simple. If you eliminate 200 and some thousand dollars from Nebraska carriers for this premium tax, actually for all carriers for this premium tax, you end up saving Nebraska industry millions of dollars, but not in Nebraska taxes. Instead, in taxes they would otherwise pay in other states only because Nebraska happens to have the tax. That's the way the retaliatory law operates. Now, the Revenue Committee said we thought it advantageous to our own companies to eliminate this premium tax but instead to replace it with a three-year assessment, and the assessment operates differently than the premium tax.

SENATOR SCHMIT: And would you explain how that is. That is not a retaliatory situation?

SENATOR V. JOHNSON: No, it's an assessment only on our domestic life insurance companies which write nontax qualified annuities within Nebraska. Because it is not an assessment on foreign companies that come in and do business in Nebraska, because it is not an assessment on the foreign companies, Senator Schmit, then the laws of Missouri and Iowa and the other 48 states cannot be applied to Nebraska companies. In other words